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Dear Philip and Jody

**Re: SEM Committee, Implementation of the European Target Model for the Single Electricity Market, Next Steps Proposed Decision Paper**

Power NI welcomes any publication of information by the SEM Committee regarding the implementation of the European Target Model. While acknowledging that work has been ongoing within the respective regulators offices, the lack of dissemination of information to participants has been of concern.

Power NI welcomes the commitment of the SEM Committee to establish a Project Office and hopes this will increase the regulatory engagement with participants as the project continues. Continuous communication and engagement with participants should be a key project deliverable. An information vacuum only serves to increase uncertainty.

The principles behind the European Target Model look to maximise interconnector usage for cross border trade, and sourcing of the most cost efficient production. While at a high level these are laudable, there is a risk that real benefits to consumers may not be realised should the detailed arrangements not be fully analysed or the solution be costly to implement. Power NI recognises that the Regulatory Authorities (RAs) are cognisant of their

respective statutory duties and have set high level principles for the market. This is an important cornerstone on which to build a detailed design.

The difficult issues facing the SEM currently; namely liquidity, renewable targets, demand side management and the Capacity Payment Mechanism will continue irrespective of the target model and should be given due consideration within the development of a detailed design.

As a stand alone, non-vertically integrated supplier, Power NI is concerned that changes to the market structure could further reduce available hedging and risk management opportunities. The pricing regimes in any balancing, day ahead or intra day market must ensure participation in the forward market. Consumers and therefore suppliers desire price certainty. Securing volumes in quantities over and above a refinement level in later markets may add a risk premium if sufficient liquidity is not available to all supply participants. Given the size and nature of the Irish market simple risk management opportunities should be available either through market structures or via regulatory mandate.

Power NI believes that the questions surrounding practicality, participation and risk management opportunities for suppliers must be addressed by the RAs. The differing effects of potential pricing algorithms, the operation of power exchanges and the practicalities of trading arrangements will all determine the effectiveness of the market. The focus of the limited information published to date has been on generator participation. Power NI would welcome the RAs recognising the counter balancing supplier participation when providing future information, consultation and decision papers.

The RAs should also be cognisant of the unique regulatory arrangement within the SEM and be prepared to amend licence and price control conditions dependent upon the market integration outcomes.

Given that the design and RA decisions remain at a high level; it is difficult to comment upon the assumption to adopt central dispatch. Power NI considers this a detailed decision which should be made upon completion of the high level design. The adoption of detailed assumptions at this stage may limit the options available to the RAs later in the design process.

As stated earlier, Power NI welcomes this latest paper from the RAs. It is however disappointing that there has been such limited communication with the market over recent months. Power NI would encourage the RAs to increase the information flow to participants as we collectively move through this important project.

Yours sincerely,



William Steele

Power NI